

Economic Impact of Tourism in Kerala, India

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Abstract

Kerala is one of the prominent tourist destinations of India with backwaters, hill stations, beaches, Ayurvedic tourism and tropical greenery. National Geographic's Traveller magazine listed Kerala in the 'Ten Paradises of the World' and '50 must visit places of a lifetime'. Tourism is one of the few sectors where Kerala has clear competitive advantages as Kerala is considered as nature magic ranging from the Western Ghats covered with dense forests to the backwaters to the Arabian Sea. Its ancient rich culture including traditional dance forms and the strong presence of alternative systems of medicine add to its allure. Sustainable tourism is the mission. This can be achieved by integrating tourism with other parts of the economy like medical and health hubs which will attract more stable tourists over a longer period of time and with higher spending capacity. Infrastructure development is crucial to achieve this goal. This paper is an over view on the economic impact of tourism in Kerala. The findings of the paper revealed that the economic impact of tourism in Kerala is very significant.

Keywords: Tourism, Economic Impact, Tourist Arrivals, Employment Generation, Kerala

Introduction

Kerala was the first Indian state to declare tourism as an industry. The State's Tourism Vision 2025 envisages sustainable development of tourism with emphasis on backwaters, eco-tourism and ayurveda. Kerala's tourism brand, namely "Kerala – God's Own Country", was the first to be registered with the Government of India's registry of trademarks as a brand. Kerala tourism has won several national and international recognitions, mainly due to the state's responsible tourism projects and region's picturesque beauty. Kerala Government state that the Kerala tourism model is one of the most liberalised tourism models with the private sector leading tourism development. The government expenditure on tourism in Kerala is one among the highest in India which is greater than the national average. Tourism expenditure of Kerala as percentage of the total state expenditure is 1.27 per cent, while the national average is only 0.49 per cent. Tourism constitutes 10 per cent of Kerala's GDP and contributes around 23.5 per cent to the total employment in the state.

Ecotourism is a novel idea in tourism. It is considered as a purposeful travel to natural areas to understand the natural and cultural history of environment, taking care not to change the integrity of the ecosystem. Kerala is a perfect hub for promoting ecotourism in a big way because it is one of the greenest destinations in India.

Responsible Tourism (RT) is an alternative approach developed against the adverse impacts of 'Mass Tourism'. It is primarily conceived with three types of responsibilities which are termed as the 'triple bottom-line' - social responsibility, economic responsibility and environmental responsibility. In Kerala, Responsible Tourism Initiative was launched in 2008. In the first phase four destinations - Kumarakom, Kovalam, Thekkady and Vythiri - were selected for RT Initiative. The second

phase started in 2011 by extending the RT activities to three more destinations - Bekal, Ambalavayal and Kumbalangi.

Kerala Tourism – Historical Narratives

Tourism development programmes in Kerala was launched in 1976 with the establishment of the international beach resort in Kovalam, with the patronage of central government. In 1980s, the state government initiated Kerala tourism as a hospitality department. On 11th July 1986, the government declared tourism as an industry with recognising the huge economic potential of tourism in the state. Since then, the state government has extended several incentives to the tourism sector with the aim of generating an investment-friendly atmosphere for tourism.

In Kerala the Tourism Department formed in 1958. It renamed as the Department of Tourism in 1981. It is the government agency which is responsible for the planning, promotion and development of tourism in the state. The infrastructure development schemes were implemented and executed through various departments such as Public Works Department, Irrigation Department, Central Public Works Department etc and through Public Sector Units (PSUs) such as Kerala Tourism Development Corporation Ltd (KTDC), Kerala Tourism Infrastructure Ltd (KTIL), Kerala Industrial Technical Consultancy Organization (KITCO), Bekal Resorts Development Corporation Ltd (BRDC) and so on.

The first tourism policy of Kerala was announced in 1995. The policy focused on public-private partnership (PPP) for tapping the tourism potential of the state. Based on the tourism policy, the first Kerala Travel Mart was held in 2000 as PPP in the state. The Kerala Travel Mart is an annual tradeshow. In this Trade Mart the state government hosts tour operators and media from around 50 to 60 countries wherein the buyers and sellers directly interact to close deals and packages. Tourism Vision 2025, the policy document prepared by the Department of Tourism and approved by the State Government in 2002. It is aimed at making tourism as a private sector activity with the state government act as a catalyst and facilitator.

In 2007, the Kerala government adopted “Responsible Tourism (RT)” as the bedrock of its tourism policy and chose Kumarakom, Kovalam, Wayanad and Thekkady as pilot destinations for implementing the concept. The main objective was to promote community initiatives in tourism-planning and programmes. The recent Tourism Policy 2012 reinforces the need to have a comprehensive sustainable development strategy to enhance tourism in the state. It has balanced economic dynamism with social, cultural and environmental considerations.

The stated tourism policies of the state government like the first tourism policy of 1995, the second tourism policy of 2012 and the vision 2025 document aim to promote Kerala as a quality destination. All these policies aimed to attracting high-spending tourists to the state than going for mass tourism chasing numbers.

Today, Kerala is well known for its successful tourism model that has turned tourism into a driver of economic growth, without compromising on ecological concerns. Its tourism model has been hailed worldwide. Kerala is regarded as one of the destinations with the highest brand recall and named as one of the ten paradises of the world by the National Geographic Traveler.

Scope of the Study

Tourism is one of the few sectors where Kerala has clear competitive advantages. Kerala has natural advantages in this industry, in terms of beautiful hills and valleys, lakes, waterfalls, backwaters, lagoons, and beaches. The state is also well-known for its manmade natural advantages, such as national parks and wild life sanctuaries. Kerala’s traditional dance forms, cultural festivals, temples, and traditional medicine are major tourist attractions. Kerala is also India’s most advanced society in terms of educational attainment.

Great strides forward have been made since 1986 when tourism was declared as an industry in Kerala. Realizing its economic potential, the Government of Kerala declared tourism as an industry in 1986. On this context we analyse the economic and environmental impact of tourism in Kerala.

Review of Literature

Several studies have been conducted world over focusing on different aspects of tourism. Some of these studies focusing on the economic aspects and environmental aspects of tourism industry are summarized below:

Dhariwal (2003) analyzed the determination of international tourist arrivals in India using annual data from 1966-2000. The results show that socio-political factors, communalism terrorism and tension with Pakistan constitute serious threats to the tourism industry, limiting the gains that could otherwise have been realized. Kabia (2005) in his study stated the relationship between tourism and environment. He stated that tourism relationship with the environment is complex phenomenon. Given its scale and global extent, it is inevitable that tourism has significant environmental effects. These impacts are related to resource consumption, as well as to pollution and waste generated by tourism activities. At the same time, beaches, mountains, rivers, forest, biodiversity etc make the environment a basic resource upon which the tourism sector depends. Besides, tourism can contribute to the environment conservation also.

Ivanov (2007) analyzed the impact of tourism on economic growth. The study explores the problem of measuring the economic impact of tourism which requires a broader view of the analysis of the interaction between tourism and GDP. This paper presents a methodology for measuring the contribution of tourism to economic growth and it is tested with data for Cyprus Greece and Spain. This study finds the overall impact on Gross Domestic Product (GDP).

VijayaKumar and Babu (2008) identified that the unstructured development of tourism has brought out adverse impacts on the natural environment which is being the foundation for the tourism in Munnar. Unauthorized or over construction on the rolling grass land ecosystem, absence of waste management methods, deforestation, the profit motive, lack of holistic approach of tourism infrastructure development, absence of awareness among the tourism promoters, inefficient visitor management technique and disappearance of species diversity etc. adversely affect the aesthetic value and quality of this mountain environment. All these raise the question of sustainable development of tourism in this hill station.

Coombes and Jones (2010) highlights climate change impacts on tourism. This will heighten due to deterioration of coastal vegetation and disturbance of nested birds. This study finds that overall levels of vegetation and diversity are likely to decline if future visitor numbers increase due to warmer and drier weather conditions. Ramet and Tolvanen (2010) reported that tourism is one of the fast growing industries globally. Within tourism, the nature based tourism is considered to be growing most rapidly. The effects of tourism are highly varied. From an ecological point, tourism poses a threat to sensitive environments. Hence, sustainable tourism is a highly contested issue and necessary to identify which principles of sustainability will be achieved through community control and which will be implemented by government.

Batabyal and Ghosh (2012) empirically investigated the foreign tourist arrivals to India. This paper analyzes the tourism demand generally interpreted through arrivals to various destinations in India. The study covers two periods: a period of significant development from 1980-1981 to 1990-1991 and 1991-92 onwards. First period is considered for significant improvement of Indian tourism and the second period for its subsequent changes in the perspective of significant of economic and political crises. The study was conducted through hypothetical trend equations contributing to estimation of growth in tourist's arrivals over the year.

Vijayaragavan (2014) analyzed the impact of tourism on Indian economy. This paper discusses how Indian is emerging as a popular tourist destination in the world, driven by the focus on innovation and creating value for tourists. It aimed to change the attitude and behaviour toward foreign tourist by stressing on the aspect that a guest has been held in high esteem in India since ancient times. This paper observes that there has been a tremendous growth in tourism in India because for the policies of the government and support from all levels.

Bhadula (2014) examined the impacts of tourism industries on water pollution. Water pollution is increasing with various activities like domestic, agricultural and industrial. Factories are dumping waste and chemicals into the rivers, lakes and oceans. Nutrient pollution is one of the major threats to the environment. It is a kind of pollution that is being caused by excessive volumes of nutrient in the water. Nutrients might be coming from agricultural runoff also. Excess of nutrients might result in hypoxia, a low oxygen phenomenon. Recycled water will reduce pollution.

Objectives of the Study

The objective of this paper is to analyse the economic impact of tourism on Kerala economy

Methodology

For this research paper the data is collected by using secondary sources collected from various books, National and International Journals, published Government reports, World Travel and Tourism Council Report 2013 (Blanke and Chiesa, 2013), Economic Review , Tourism report of Government of Kerala, publications from various websites and so on.

Results and Discussions

Tourist Arrivals

Number of tourist arrival is one of the leading indicators of the demand for tourism in a particular destination. Table 1 presents the data on the foreign and domestic tourist arrivals in Kerala from 2010 to 2019. It shows that Foreign Tourist Arrivals (FTAs) are increasing in absolute terms. It was increased from 659265 in 2010 to 1189771 in 2019. The domestic tourist arrivals have increased from 8595075 in 2010 to 18384233 in 2019. In 2018, the number of tourists visiting Kerala was 16701068 (domestic tourists - 15604661 and foreign tourists - 1096407). In 2019, the total number of tourists was pegged at 19574004, comprising 18384233 domestic tourists and 1189771 visitors from abroad.

Table 1. Domestic and Foreign Tourist Arrivals in Kerala

Year	Foreign Tourist	Domestic Tourist
2010	659265	8595075
2011	732985	9381455
2012	793696	10076854
2013	858143	10857811
2014	923366	11695411
2015	977479	12465571
2016	1038419	13172535
2017	1091870	14673520
2018	1096407	15604661
2019	1189771	18384233

Source: Various Tourism Repots, Government of Kerala

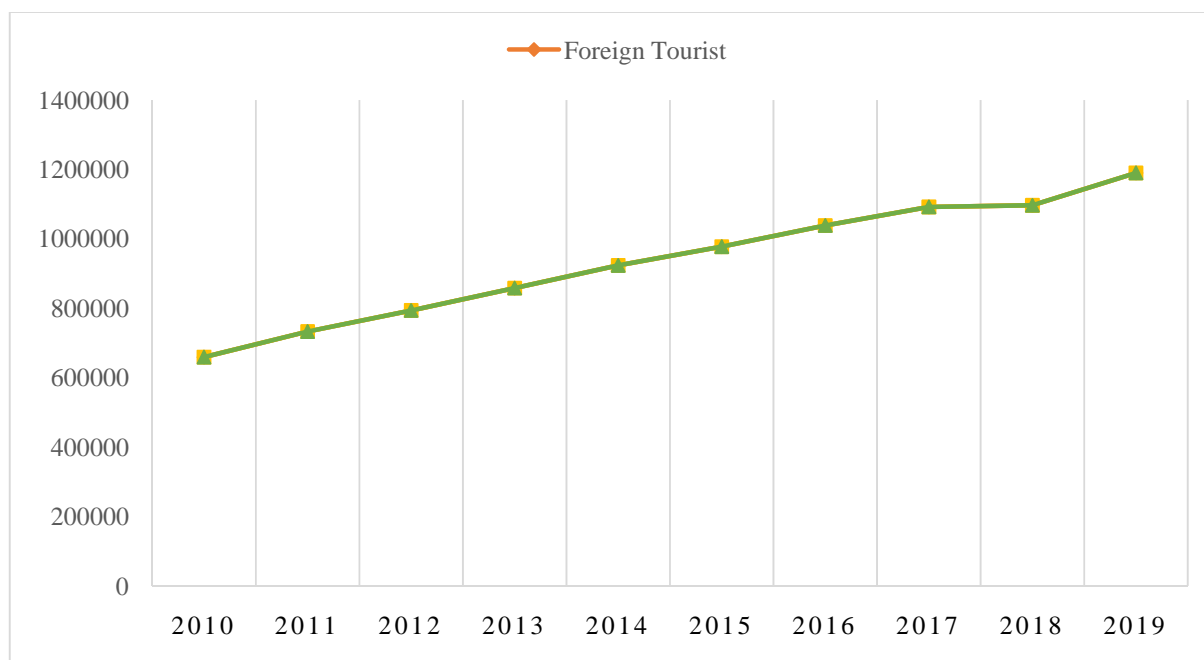


Figure 1. Trend of Foreign Tourist Arrivals in Kerala

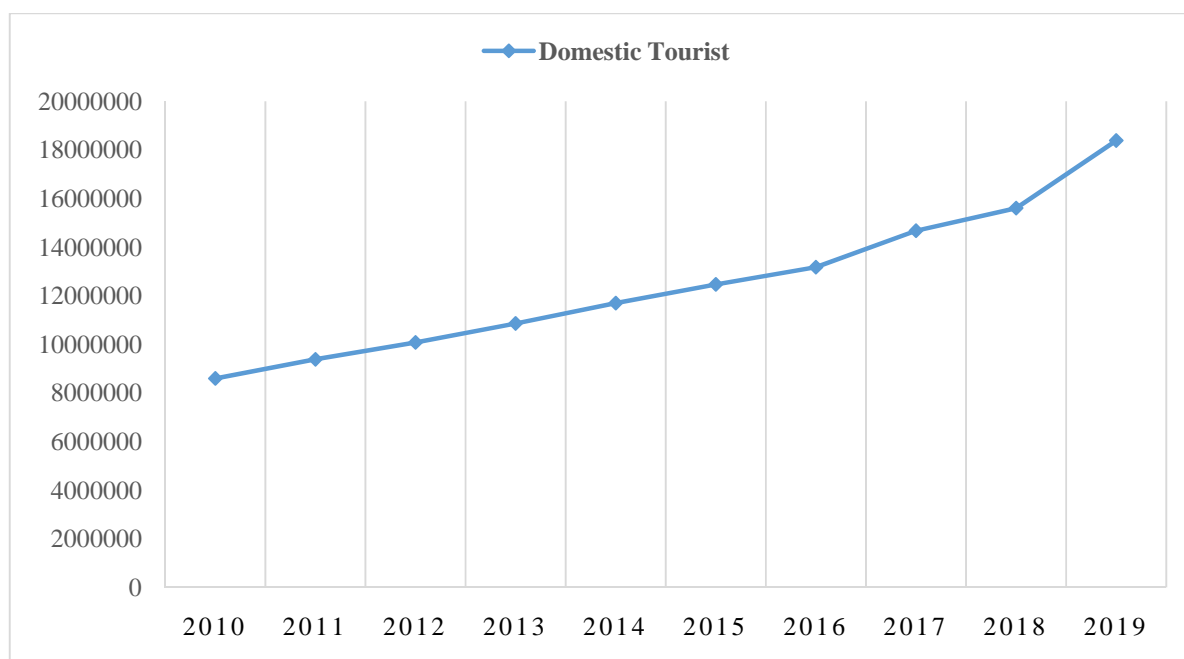


Figure 2. Trend of Domestic Tourist Arrivals in Kerala

This trend is expected to continue in the future as well. The Kerala Tourism Policy 2012 targets an annual growth rate of 15 per cent in foreign tourist arrivals and expects 3 million tourists by 2021. On the domestic front, the policy is looking forward to achieving an annual growth rate of 7 per cent for the next decade; a target of 18 million domestic tourists by 2021.

Foreign Exchange Earnings

Tourism is flaunted as an engine of growth. It is considered as a major contributor of foreign exchange earnings in Kerala.

Table 2. Foreign Exchange Earnings from Tourism in Kerala

Year	Foreign Exchange Earnings (In Crores)
2010	3797.37
2011	4221.99
2012	4571.69
2013	5560.77
2014	6398.93
2015	6949.88
2016	7749.51
2017	8392.11
2018	8764.46
2019	10271.06

Source: Various Tourism Repots, Government of Kerala



Figure 3. Foreign Exchange Earnings from Tourism in Kerala

Table 2 and figure 3 present the data on the foreign exchange earnings from tourism in Kerala from 2010 to 2019. It shows that foreign exchange earnings (FEE) have increased from Rs. 3797.37 crores in 2010 to Rs. 10271.06 crores in 2019. In terms of tourism revenue, total foreign exchange from the tourism sector for the year 2017 are Rs.8392.11 Crores showing an increase of 8.29 % over the figures of year 2016 Rs. 7749.51 Crores. Foreign Exchange earnings for the year 2018 is Rs. 8764.46 Crores which recorded a growth of 4.44% over the previous year. In 2019, the total foreign exchange earnings (FEE) from tourism crossed Rs. 10,000 crores for the first time,

touching a figure of Rs. 10,271.06 crores and registering a growth of 17.19 per cent over the previous year.

Employment Generated by Tourism

In the case of employment, the study found that the sector generated over 14 million direct jobs in the state. This means that the direct contribution of tourism sector to total number of jobs in Kerala was 9.9 per cent in 2009–12. The total number of jobs created directly and indirectly by the sector turned out to be 23.52 per cent of the total employment in Kerala.

Table 3. Contribution of Tourism to Total Employment between 2009 and 2012

Share in Total Employment (%)			
Country/state	Direct impact	Indirect impact+ Induced impact	Total impact
India	4.4	5.8	10.2
Kerala	9.9	13.6	23.5

Source: Government of Kerala (2016): Economic Review, State Planning Board

The survey of the tourism department in 2012 revealed that the tourism sector created 12 lakh employment. Counting the ancillary services, the total number is 14 lakhs. As per the official records of the Department of Tourism, the tourism sector contributed 23.5 per cent to the total employment from 2009 to 2012 in the state, much greater than the contribution of tourism to employment at the national level.

Conclusion

The need of the hour is to promote quality on all fronts so as to provide world-class experiences to tourists without deterioration in the society and in the environment, while at the same time strengthening the economy. Awareness of the issues appears to be relatively high in Kerala, and a number of good practices have been widely adopted, but more still needs to be done in this direction since these practices are not well promoted by the state. The strategy should be to engage all stakeholders by marketing and social media, identifying sustainability goals/targets, and creating more sustainable products and services. Marketing assistance for service providers should be increased. Finally, technical assistance and the use of ICT are needed to help tourism organisations market Kerala as a sustainable destination.

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